

# Auditing Procedures Report

Issued under P.A. 2 of 1999, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Antioch Township</b>		County <b>Washtenaw</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>10/22/05</b>	Date Audit Report Submitted to State <b>12/22/05</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the Bulletin for the Audits of Local Units of Government in Michigan as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component unit/fund/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/unretained earnings (P.A. 275 of 1990).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1999, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposited investments which do not comply with statutory requirements (P.A. 20 of 1943, as amended (MCL 129.91), or P.A. 55 of 1962, as amended (MCL 35.1132)).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1996 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 190 of 1997 (MCL 120.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The list of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR)			✓

Certified Public Accountant (Firm Name)

**Baird, Cotter & Bishop, P.C.**

Street Address

**134 W. Harris Street**

City

**Cadillac**

State

**MI**

ZIP

**49601**

Accountant's Signature

*John P. Quench CPA*

Date

**12-22-05**

**ANTIOCH TOWNSHIP, WEXFORD COUNTY**

**MESICK, MICHIGAN**

**MARCH 31, 2005**

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

MARCH 31, 2005

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditors' Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-viii
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In	
Fund Balances to the Statement of Activities	6
Fiduciary Fund	
Statement of Fiduciary Net Assets	7
Notes to Financial Statements	8-14
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	15
<b>Major Governmental Funds</b>	
<u>General Fund</u>	
Balance Sheet	16
Schedule of Revenues, Expenditures and Changes In	
Fund Balance	17
Analysis of Revenues	18
Analysis of Expenditures	19-21
<b>Agency Funds</b>	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	22
<b>Other Information</b>	
Statement of 2004 Winter Tax Roll	23
Statement of 2004 Summer Tax Roll	24
Letter of Comments and Recommendations	25-26
Letter of Reportable Conditions	27

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*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

October 22, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board  
Antioch Township  
Wexford County  
Mesick, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Antioch Township, Wexford County, Mesick, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Antioch Township, Wexford County, Mesick, Michigan as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Antioch Township, Wexford County, Mesick, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

Antioch Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Antioch Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$240,052. Of this amount, \$139,580 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's General Fund reported an ending fund balance of \$139,580. 100% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2005.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Antioch Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

### **Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$240,052 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

**Government-Wide Financial Analysis**

**Antioch Township**  
**Net Assets as of March 31, 2005**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets	\$ 145,418
Non Current Assets	
Capital Assets	109,661
Less: Accumulated Depreciation	<u>(9,189)</u>
Total Non Current Assets	<u>100,472</u>
<b>Total Assets</b>	<b>\$ 245,890</b>
<b>Liabilities</b>	
Current Liabilities	\$ 5,838
<b>Net Assets</b>	
Invested in Capital Assets	100,472
Unrestricted	<u>139,580</u>
<b>Total Net Assets</b>	<u>240,052</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 245,890</b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$139,580 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$11,232 or 5% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

**Antioch Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2005**

	<b>Governmental Activities</b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 2,300
<b>General Revenues</b>	
Property Taxes	9,673
Licenses and Permits	130
State Shared Revenue	55,439
Unrestricted Investment Earnings	2,665
Other	291
<b>Total Revenues</b>	\$ 70,498
<b><u>Expenses</u></b>	
Legislative	\$ 1,710
General Government	43,084
Public Safety	7,430
Other Functions	7,042
<b>Total Expenses</b>	59,266
Changes in Net Assets	11,232
NET ASSETS – Beginning of Year	228,820
NET ASSETS – End of Year	\$ 240,052

**Governmental Activities**

During the fiscal year ended March 31, 2005, the Township’s net assets increased by \$11,232 or 5% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Antioch Township comes from state shared revenues.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 73% of total expenses. The Township spent \$43,084 in fiscal year 2005 on General Administrative expenses. Public Safety represented the next largest expense at \$7,430, or 13% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Administrative expenses at \$32,436. Depreciation expense added another \$1,388.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Antioch Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**General Fund** – The General Fund decreased its fund balance by \$71,164 which brings the fund balance to \$139,580. The General Fund's fund balance is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Property tax collection fees amounted to \$6,441. State shared revenues were collected in the amount of \$55,439.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$100,472 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current year was 455% or \$82,396.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Antioch Township**  
**Capital Assets as of March 31, 2005**

		<b>Governmental Activities</b>
Land and Land Improvements	\$	12,000
Buildings		83,784
Equipment, Furniture and Fixtures		13,877
		<u>109,661</u>
Less Accumulated Depreciation		<u>(9,189)</u>
<b>Net Capital Assets</b>	<b>\$</b>	<b><u>100,472</u></b>

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2005

Major capital asset events during the current fiscal year included the following:

- ❖ New township hall cost \$83,784.

**Long-Term Debt.** Antioch Township has no obligation for any long-term debt as of March 31, 2005.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Antioch Township at 4490 N. 19 Road, Mesick, MI 49668.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 145,094
External Parties Receivable (Fiduciary Fund)	<u>324</u>
Total Current Assets	<u>\$ 145,418</u>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	\$ 12,000
Buildings	83,784
Equipment, Furniture and Fixtures	<u>13,877</u>
	\$ 109,661
Less Accumulated Depreciation	<u>9,189</u>
Net Capital Assets	<u>\$ 100,472</u>
 TOTAL ASSETS	 <u><u>\$ 245,890</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 4,423
Payroll Withholdings Payable	<u>1,415</u>
Total Liabilities	<u>\$ 5,838</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	\$ 100,472
Unrestricted	<u>139,580</u>
Total Net Assets	<u>\$ 240,052</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 245,890</u></u>

The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			CHANGES IN
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	(EXPENSE) REVENUE
					AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 1,710	\$ 0	\$ 0	\$ 0	\$ (1,710)
General Government	43,084	2,300	0	0	(40,784)
Public Safety	7,430	0	0	0	(7,430)
Other Functions	7,042	0	0	0	(7,042)
Total Governmental Activities	\$ 59,266	\$ 2,300	\$ 0	\$ 0	\$ (56,966)
<u>GENERAL REVENUES</u>					
Property Tax					\$ 9,673
Licenses and Permits					130
State Shared Revenue					55,439
Unrestricted Investment Earnings					2,665
Other					291
Total General Revenues					68,198
Change in Net Assets					11,232
<u>NET ASSETS</u> - Beginning of Year					228,820
<u>NET ASSETS</u> - End of Year					\$ 240,052

The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY

MESICK, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2005

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash	\$ 145,094
Due From Other Funds	<u>324</u>
Total Assets	<u><u>\$ 145,418</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 4,423
Payroll Withholdings Payable	<u>1,415</u>
Total Liabilities	\$ 5,838
 <u>FUND BALANCE</u>	
Unreserved	
Undesignated	<u>139,580</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 145,418</u></u>

The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2005

Total Fund Balances for Governmental Funds	\$	139,580
--------------------------------------------	----	---------

Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$	12,000	
Buildings		83,784	
Equipment, Furniture and Fixtures		13,877	
Accumulated Depreciation		(9,189)	100,472

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>240,052</u>
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The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY

MESICK, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND
<u>REVENUES</u>	
Taxes	\$ 9,673
Licenses and Permits	130
State Grants	55,439
Charges for Services	2,140
Interest and Rents	2,825
Other Revenues	291
Total Revenues	70,498
<u>EXPENDITURES</u>	
Legislative	1,710
General Government	125,480
Public Safety	7,430
Other Functions	7,042
Total Expenditures	141,662
Excess of Revenues over (under) Expenditures	(71,164)
<u>FUND BALANCE</u> - Beginning of Year	210,744
<u>FUND BALANCE</u> - End of Year	\$ 139,580

The accompanying notes are an integral part of the financial statements.



ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ (71,164)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Assets	83,784
Depreciation Expense	<u>(1,388)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 11,232</u></u>

The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 496
	<hr/>
<u>LIABILITIES</u>	
Due to Other Governments	\$ 172
Due to General Fund	324
	<hr/>
TOTAL LIABILITIES	\$ 496
	<hr/>

The accompanying notes are an integral part of the financial statements.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Antioch Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Antioch Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally Antioch Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township Board authorized the Treasurer to invest in the following:

1. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
4. Repurchase agreements consisting of instruments listed in (1) above.
5. In bankers' acceptances of United States Banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**3. *Inventories***

Inventories are not significant and are expensed when purchased.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building Improvements	20
Land and Land Improvements	20
Equipment, Furniture and Fixtures	5-10

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**7. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 25, 2004, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Funds with expenditures in excess of appropriations were as follows:**

As of March 31, 2005, there were no expenditures in excess of appropriations.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

At year-end, the carrying amount of the Township's regular deposits was \$145,590 and the bank balance was \$146,856 all of which was covered by federal depository insurance.

A reconciliation of cash and investments follows:

	<u>PRIMARY GOVERNMENT</u>
Carrying amount of Deposits	\$ <u>145,590</u>
Government-wide Statement of Net Assets	
Cash	\$ 145,094
Statement of Fiduciary Net Assets	
Cash	<u>496</u>
TOTAL	\$ <u><u>145,590</u></u>

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**B. Receivables**

The Township has no receivables as of 3/31/05.

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 12,000	\$ 0	\$ 0	\$ 12,000
Capital assets, being depreciated				
Buildings	\$ 0	\$ 83,784	\$ 0	\$ 83,784
Equipment, Furniture and Fixtures	13,877	0	0	13,877
Total capital assets, being depreciated	\$ 13,877	\$ 83,784	\$ 0	\$ 97,661
Less accumulated depreciation for:				
Buildings	\$ 0	\$ 0	\$ 0	\$ 0
Equipment, Furniture and Fixtures	7,801	1,388	0	9,189
Total accumulated depreciation	\$ 7,801	\$ 1,388	\$ 0	\$ 9,189
Total capital assets, being depreciated, net	6,076	82,396	0	88,472
Governmental activities capital assets, net	\$ 18,076	\$ 82,396	\$ 0	\$ 100,472

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 1,388
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Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2005.



ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2005

**D. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at March 31, 2005, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund		
Current Tax	\$ 324	\$ 0
Current Tax		
General Fund	0	324
Total Primary Government	<u>\$ 324</u>	<u>\$ 324</u>

**E. Long-Term Debt**

At March 31, 2005, the Township was not obligated for any long-term debt.

**F. Fund Balance Reserves**

The Township has no reserved fund balance as of 3/31/05.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**C. Property Taxes**

The Township levied 1% administration fee permitted by statute on all 2004 property taxes. Such fees may be used only for property tax administration expenses such as assessing, collecting and the review and appeal process. Fee collection totaled \$6,441 for the year.

**D. Interest Income and Expense**

For the year ended March 31, 2005, interest income was \$2,665 and interest expense was 0.

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 4,000	\$ 4,000	\$ 9,673	\$ 5,673
Licenses and Permits	200	200	130	(70)
State Grants	55,000	55,000	55,439	439
Charges for Services	0	0	2,140	2,140
Interest and Rents	3,200	3,200	2,825	(375)
Other Revenues	3,500	3,500	291	(3,209)
Total Revenues	65,900	65,900	70,498	4,598
<u>EXPENDITURES</u>				
Legislative	2,200	1,600	1,710	(110)
General Government	47,400	135,450	125,480	9,970
Public Safety	8,000	7,500	7,430	70
Other Functions	8,000	7,900	7,042	858
Total Expenditures	65,600	152,450	141,662	10,788
Excess of Revenues over (under) Expenditures	300	(86,550)	(71,164)	15,386
<u>FUND BALANCE</u> - Beginning of Year	0	0	210,744	210,744
<u>FUND BALANCE</u> - End of Year	\$ 300	\$ (86,550)	\$ 139,580	\$ 226,130

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2005

ASSETS

Cash	
Checking Account	\$    40,253
Savings Account	6,663
Certificates of Deposit	98,178
Due from Other Funds	324
	<hr/>
TOTAL ASSETS	\$    145,418
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$    4,423
Payroll Withholdings Payable	1,415
	<hr/>
Total Liabilities	\$    5,838

FUND BALANCE

Unreserved	139,580
	<hr/>

TOTAL LIABILITIES AND FUND BALANCE	\$    145,418
	<hr/> <hr/>

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2005

	<u>ACTUAL</u>
<u>REVENUES</u>	
Taxes	\$ 9,673
Non-Business Permits	130
State Grants	55,439
Charges for Services	2,140
Interest and Rents	2,825
Other Revenues	<u>291</u>
Total Revenues	<u>\$ 70,498</u>
<u>EXPENDITURES</u>	
Legislative	
Township Board	\$ 1,710
General Government	
Supervisor	4,550
Assessor	9,944
Clerk	5,966
Board of Review	1,485
Treasurer	10,017
Election	1,302
Building and Grounds	88,388
Cemetery	3,828
Public Safety	
Fire Protection	7,430
Other Functions	
Insurance and Bonds	4,423
Employee Benefits	<u>2,619</u>
Total Expenditures	<u>\$ 141,662</u>
Excess of Revenues Over (Under) Expenditures	\$ (71,164)
<u>FUND BALANCE</u> - Beginning of Year	<u>210,744</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 139,580</u></u>

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES  
FOR THE YEAR ENDED MARCH 31, 2005

TAXES

Property Tax Administration Fee	\$ 6,441	
Homestead Denials	3,232	
Total Taxes		\$ 9,673

NON-BUSINESS PERMITS

Zoning Permits		130
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STATE GRANTS

State Revenue Sharing		
Sales and Use Tax	\$ 53,842	
Telecommunications Right of Way Maintenance	1,597	
Total State Grants		55,439

CHARGES FOR SERVICES

Summer Tax Collection Fee	\$ 1,828	
Dog License Fees	12	
Cemetery Lot Sales	300	
Total Charges for Services		2,140

INTEREST AND RENTS

Interest Earnings	\$ 2,665	
Rents and Royalties	160	
Total Interest and Rents		2,825

OTHER REVENUES

Miscellaneous		291
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TOTAL REVENUES		<u>\$ 70,498</u>
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ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 1,200

Other Services and Charges

Contracted Services 158

Memberships and Dues 352

Total Legislative \$ 1,710

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 4,550

Assessor

Other Services and Charges

Contracted Services \$ 8,958

Supplies

Office Supplies 986

Total Assessor 9,944

Clerk

Personal Services

Salaries and Wages \$ 4,550

Supplies

Office Supplies 1,341

Other Services and Charges

Education and Training 75

Total Clerk 5,966

Board of Review

Personal Services

Salaries and Wages \$ 724

Other Services and Charges

Education and Training 168

Miscellaneous - Other 593

Total Board of Review 1,485

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2005

Treasurer

Personal Services

Salaries and Wages \$ 6,200

Supplies

Office Supplies 2,446

Other Services and Charges

Education and Training 80

Printing and Publishing 294

Transportation 651

Miscellaneous - Other 346

Total Treasurer 10,017

Elections

Personal Services

Salaries and Wages 1,302

Building and Grounds

Other Services and Charges

Repairs and Maintenance \$ 885

Utilities 3,719

Capital Outlay 83,784

Total Building and Grounds 88,388

Cemetery

Personal Services

Salaries and Wages \$ 2,324

Other Services and Charges

Contracted Services 1,504

Total Cemetery 3,828

Total General Government 125,480

PUBLIC SAFETY

Fire Protection

Other Services and Charges

Aid to Other Governments 7,430

OTHER FUNCTIONS

Insurance and Bonds \$ 4,423

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2005

Employee Benefits			
Medicare and Social Security	\$	1,859	
Worker's Compensation		760	
Total Employee Benefits		<u>2,619</u>	
Total Other Functions			<u>7,042</u>
TOTAL EXPENDITURES			<u><u>\$ 141,662</u></u>



ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2005

ASSETS

	BALANCE				BALANCE	
	APRIL 1, 2004	ADDITIONS	DELETIONS		MARCH 31, 2005	
Cash						
Commercial Account	\$ 574	\$ 486,393	\$ 486,471	\$		496

LIABILITIES

Accounts Payable	\$ 0	\$ 1,203	\$ 1,203	\$		0
Due to Other Governments	174	478,219	478,220			172
Due to Other Funds	400	6,971	7,048			324
	\$ 574	\$ 486,393	\$ 486,471	\$		496

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF 2004 WINTER TAX ROLL  
MARCH 31, 2005

TAXES ASSESSED

County	\$ 176,004	
Schools		
Cadillac Area Public Schools	90	
Mesick Public Schools	178,904	
Intermediate Schools		
Wexford-Missaukee Intermediate School	<u>103,669</u>	\$ 458,667

TAXES COLLECTED

County	\$ 149,822	
Schools		
Cadillac Area Public Schools	90	
Mesick Public Schools	145,600	
Intermediate Schools		
Wexford-Missaukee Intermediate School	<u>88,248</u>	<u>383,760</u>

TAXES RETURNED DELINQUENT

County	\$ 26,182	
Schools		
Cadillac area Public Schools	0	
Mesick Public Schools	33,304	
Intermediate Schools		
Wexford-Missaukee Intermediate School	<u>15,421</u>	<u>\$ 74,907</u>

ANTIOCH TOWNSHIP, WEXFORD COUNTY  
MESICK, MICHIGAN

STATEMENT OF 2004 SUMMER TAX ROLL  
MARCH 31, 2005

TAXES ASSESSED

County		
State Education Tax	\$ 103,925	
Schools		
Cadillac Area Public Schools	<u>90</u>	\$ 104,015

TAXES COLLECTED

County		
State Education Tax	\$ 94,054	
Schools		
Cadillac Area Public Schools	<u>90</u>	<u>94,144</u>

TAXES RETURNED DELINQUENT

County		
State Education Tax	\$ 9,871	
Schools		
Cadillac area Public Schools	<u>0</u>	<u>\$ 9,871</u>

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

October 22, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Antioch Township  
Wexford County  
Mesick, Michigan

As a result of our audit of the financial statements of Antioch Township for the year ended March 31, 2005, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Township.

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

All budgets should include actual prior year amounts as well as an estimate of current year results.

New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for Township financial statements. For Antioch Township, these changes were implemented in the March 31, 2005 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

1. Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
2. Several new types of financial statements are now included that reports financial information on a Township-wide basis and incorporates capital assets, a provision for depreciation on those assets.

### Reportable Condition in Internal Controls

In planning and performing our audit of the financial statements of Antioch Township for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

### General Recordkeeping

The accounting records for the year ended March 31, 2005, were found to be in good order and in compliance with the State's uniform accounting system. We commend the Clerk and Treasurer for a job well done and encourage them to keep up the fine effort.

We would like to thank the Board for its confidence in our firm by awarding us the audit assignment of the Township. We would also like to thank the Clerk and Treasurer for their cooperation in helping us fulfill the audit of the Township records.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990

JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
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MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

October 22, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Antioch Township  
Wexford County  
Mesick, Michigan

In planning and performing our audit of the financial statements of Antioch Township, Wexford County, Mesick, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Township has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*